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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. 641

AUTOMATION DEVICES, INC.,
Petitioner,

vs.

EDWARD A. SMALENBERGER, JR., INDIVIDUALLY AND DOING BUSINESS AS AUTOMATIC FEEDER COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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THE GOTTSDIEP-GILSON PRINTING COMPANY, CHICAGO

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FOREWORD.

The Petition for Certiorari herein is completely without merit when considered in the light of the actual record herein upon which the case was decided. It was decided completely contrary to petitioner's contentions, both by the United States District Court Judge Robson and by the Court of Appeals for the Seventh Circuit. Indeed, the Petition is based upon factual contentions and representations which are quite contrary to the actual facts of the case, and which were not raised in the trial court but only in the Court of Appeals on Petition for Rehearing as a

("A. ...." refers to plaintiff's appendix, and "A.D. ...." refers to defendant's appendix.)

last desperate attempt to grasp at straws where no substance existed.

It would appear from the Petition that respondent as a former employee of petitioner used information obtained as the result of such employment subsequently to engage in competition with his employer, using such information improperly obtained in an improper manner to copy products originated by the petitioner. Not one of these contended elements is true or supported in fact. Indeed, such contentions were not even made in the lower courts.

Respondent was never an employee of the petitioner. Respondent had no information from petitioner other than from its freely sold products as to the form or manner of manufacture thereof, which information was of course fully available to the public at all times. The product involved was not originated by petitioner, but by a third party of which both petitioner and respondent are licensees. Respondent finds it necessary to state the facts of record which petitioner conveniently ignores.

STATEMENT.

Petitioner and respondent both manufacture and sell vibratory small parts feeders which have long been standard in the trade and the products of both parties are substantially identical to such machines as made by The Syntron Company, of Homer City, Pennsylvania long before either petitioner or respondent engaged in such business.

It has been stipulated that there is no issue of patent or trademark infringement involved in this case, but this controversy does center about a very simple utilitarian mechanical structure, the nature of which should be briefly explained.

The petitioner's small parts feeder mechanism and the respondent's small parts feeder mechanism are closely similar in appearance but they are similar in appearance because both copy that of their joint licensor, The Syntron Company, which is substantially identical to that of both parties to this litigation. The Syntron Company small parts feeder was made by that company and sold broadly years before either petitioner or respondent engaged in this business.

Vibratory small parts feeders comprise as fundamental components "a basic power unit, a shell or cover for the same, and a hopper bowl to be mounted thereon to contain parts to be conveyed by means of vibratory impulses imparted to the bowl by the power unit."

The small parts included within the bowls of such units comprise a variety of configurations, such as washers, bolts and the like, which are conveyed and oriented by the vibratory impulses imparted to the bowl by the unit.

The power unit of each of the structures as made by petitioner, by respondent and by Syntron includes a heavy cylindrical base casting, an intermediate vibrating mechanism, and an upper platform upon which a hopper bowl may be mounted. Surrounding the power unit and base casting, all three parties have used a cover which is referred to in the record as being "frusto-conical" in form and clearly intended to enclose the mechanism in the most economical manner, being strictly functional in that respect rather than decorative or distinctive in appearance. The vice-president of The Syntron Company, Mr. Arthur Burch, who was characterized by petitioner as being "truthful and accurate" (A.D. 154), testified that the physical configuration of the power unit of the type shown in the illustrations required "a frusto-conical housing" (A.D. 154) as shown in the exhibits.

The Syntron product was first manufactured and sold by that company at least as early as 1948 (A. 105; A.D. 91-93). Petitioner commenced selling a similar unit in late 1955 (A.D. 90, 95). Respondent first manufactured and sold its units sometime prior to March 14, 1959 (A. 112).

It is stipulated and agreed that from 1948 until late 1955, the vibratory small parts feeders sold by petitioner were "manufactured by The Syntron Company" (A. 105). Petitioner further agrees that up until that time at least "the principal company manufacturing small parts vibratory feeders was The Syntron Company" (A. 108).

In late 1955, petitioner commenced to manufacture on its own behalf units which it admittedly copied from The Syntron products and which followed "the same dimensions" as the Syntron products (A. 96). As a result, Syntron filed a patent infringement suit against the petitioner, which case was finally settled in 1958 when petitioner became a non-exclusive licensee of Syntron (A.D. 98-9). The respondent also is a licensee of Syntron (A. 113).

Petitioner's and respondent's vibratory small parts feeders look alike except as to their nameplates and markings (respondent's product being very clearly labelled with its own name as appears at page 5a of the Petition herein). The products look alike because they are both like that of their licensor, The Syntron Company.

In December, 1954, respondent then in the employ of General Electric Company (and not in the employ of petitioner) established a small business firm engaged in general machine shop services, known as Eas-E-Way Products Company, at Rock Falls, Illinois and, in December, 1954, respondent devoted his full time to that company and to his activities as a "manufacturer's representative," selling equipment of a number of manufacturers on a

straight commission basis and as a fully independent businessman, as is quite customary in such an undertaking (A. 107).

In December, 1954, respondent undertook the sale of vibratory feeders sent to him by petitioner in his manufacturer's representative business then being operated under the name "Edward A. Smalenberger, Jr. and Associates" and also in connection with the "Eas-E-Way Products Company," all of which facts were fully known to petitioner at that time (A.D. 102, 156-160). As is fully disclosed in the record and by stipulation, indeed, respondent in all of his business expenses accounted for his own income tax withholding and social security tax accountings and, as a "manufacturer's representative" was paid only a commission upon the sale of petitioner's machines which he brought about (A. 109). Indeed, during this very period, with petitioner's full knowledge, respondent also offered for sale and sold similar products made by other manufacturers and also upon a straight commission basis as a manufacturer's representative.

The fact is that respondent was never at any time an employee of petitioner, never had any access to or knowledge whatsoever as to any of petitioner's trade secrets, if there were any, and was in fact only a customer of petitioner.

In 1958, a dispute arose between petitioner and respondent as to amounts due to petitioner for goods shipped to respondent on consignment and for commissions alleged to be due and unpaid to the respondent.

As a result, the sales-customer relationship between petitioner and respondent was terminated on April 10, 1958 (A. 110), although petitioner for some time thereafter continued to sell its products to respondent with full knowledge, admitted by petitioner's president, that he was fully

aware that such products were being marked with nameplates of the respondent at least as early as February, 1959 (A.D. 105-6).

On March 14, 1959, the parties finally entered into an agreement settling all disputes between them and granting to each other mutual releases "for anything occurring prior to the date of this release" (A. 19), the only remaining obligation between the parties being that respondent would pay to petitioner the agreed sum of money in the amount of $12,000 said to be due between them upon a balancing of accounts (A. 19) and an agreement that respondent would not represent that he was agent of petitioner thereafter and would "refrain from any conduct that would reasonably lead a customer" to believe that products sold by respondent were "manufactured or produced" by petitioner unless it was in fact so manufactured or produced. This amount was fully paid by respondent to the petitioner and it was only after that sum of money had been fully paid that petitioner filed this lawsuit on June 5, 1961.

At the time this action was filed, all of the facts which have been asserted or contended in this case were fully known to petitioner, had indeed been known to petitioner at the time of the settlement agreement of March 14, 1956, and there had been no subsequent relationships between the parties from the date of the settlement agreement which petitioner contends was a disclosure to respondent of any trade secrets by petitioner or amounted to a use by respondent of any trade secrets alleged to be the property of petitioner.

After numerous pre-trials and conferences with parties' counsel with the trial judge, a stipulation of facts was completed (A. 104-114) and filed on December 6, 1963 and a short supplement thereto was likewise signed by counsel

for the parties and filed with the Court on the same date (A.D. 10).

On December 19, 1963, after a further pre-trial conference, a pre-trial order was entered pursuant to Rule 16 of the Federal Rules of Civil Procedure (A.D. 11-24). On the same date, plaintiff filed, pursuant to court rule, its Statement of Issues of Law and Fact involved (A.D. 25-29).

It is of significance that in the stipulations of fact, the pre-trial order and the plaintiff's Statements as to issues of law and fact involved in this case, there was never at any time a contention or a representation by the plaintiff that defendant had appropriated any trade secrets of the plaintiff as a part of the facts complained of or of the issues involved. Yet that is now presented as the sole and only question presented to this Court in petitioner's Petition.

After the parties had fully and completely agreed upon the facts and the issues in this case, respondent moved the District Court for summary judgment, there being no issue as to any material fact bearing upon the agreed issues.

At that time, the present petitioner asserted to the Court that the decision of the Court of Appeals for the Seventh Circuit in *Stiffel Company* v. *Sears, Roebuck & Co.*, 313 F. 2d 115, was absolutely "controlling" in this case and that under such decision the fact that respondent's vibratory feeder mechanism had the same structural appearance as that of petitioner, the Court necessarily had to hold that the respondent's product unfairly simulated that of petitioner and summary judgment should be denied.

Based upon this very argument, the Court did deny Motion for Summary Judgment at that time, believing as it had to that the Court of Appeals' decision in *Stiffel Company* v. *Sears, Roebuck & Co.* was "controlling."

When this Court decided *Sears, Roebuck & Co.* v. *Stiffel Company,* 376 U. S. 225 a year later, reversing the decision of the Court of Appeals for the Seventh Circuit, the respondent's Motion for Summary Judgment was renewed. There was no change of facts, there were no additional allegations before the Court as to alleged "unfair competition" or alleged misuse of "trade secrets", and the only issue before the Court at that time was whether or not the mere fact that respondent's feeder looked like petitioner's feeder (and necessarily so since both were derived from The Syntron Company, licensor of both parties) was of itself a basis for holding that there was an issue of unfair competition involved.

In view of this Court's decision in *Sears, Roebuck & Co.* v. *Stiffel Company,* 376 U. S. 225, and the case decided the same day in *Compco Corp.* v. *Day-Brite Lighting, Inc.,* 376 U. S. 234, the District Court concluded, as it had to conclude, that there was no genuine issue as to any material fact, no unfair competition involved, no possible representation that respondent's product was made by petitioner, and summary judgment was granted.

The Court of Appeals, on a full record, full briefs and full oral argument affirmed the decision of the District Court.

Not at any time in the District Court or in the Court of Appeals, until a belated petition for rehearing, was there any suggestion by petitioner that there was ever involved in this case any matter of a "trade secret" and even at that time there was no suggestion and there has been no suggestion in any pleading that the respondent ever took from petitioner or used any actual "trade secret" or anything other than to make a product which it had the right to make and which petitioner believes looks like its product. Respondent's product is clearly marked with its name and

trademark as shown in petitioner's Petition at page 5a and the products look alike only because they are derived from the same source—not the petitioner but The Syntron Company, licensor to both parties. There is no possible suggestion or contention that respondent ever knew of, took from or acquired from petitioner any blueprints, drawings or secret matters pertaining to the automatic feeders which were freely sold to the public and as to which no possible secret could have been either pretended or maintained.

Mr. Angerer had no "trade secrets" of petitioner and disclosed none to respondent.

A considerable portion of the Statement of Facts made by petitioner relates to a Mr. Charles Angerer who was admittedly an employee of petitioner at one time, who subsequently was an employee of the respondent. However, Mr. Angerer was a simple semi-skilled mechanic and there is no allegation whatsoever that he ever learned or was given any "trade secrets" by petitioner nor that he ever disclosed any such trade secrets to the respondent. Mr. Angerer worked for petitioner for a while, left its employ, and worked thereafter for a while as an assistant in his brother's supermarket. Long after that, he entered the employ of respondent, again as a semi-skilled workman and, by his own testimony, disclosed nothing to the respondent and had nothing to disclose. That he knew how to drill holes in bowls in order to attach them to the mechanism involved hardly makes him a man with secret knowledge which he did not have a right to carry into whatever occupation he might enter after leaving the employ of petitioner. There is no suggestion and there can be no suggestion that respondent hired Mr. Angerer away from petitioner because of any special knowledge which he had.

THE QUESTION PRESENTED.

The "Question Presented" as stated in the Petition is not and never has been the issue in this case. The only issue in the lower courts as stipulated by the parties was whether respondent's product, appearing as it does in the same shape as petitioner's product, was a representation that the product was that of the petitioner when in fact it was a representation of the long, well-known prior art as made by the licensor under which both petitioner and respondent are licensees.

Actually, there is no possible question raised as to "federal supremacy of the patent laws" as defined in *Sears* v. *Stiffel,* 376 U. S. 225 and *Compco* v. *Day-Brite,* 376 U. S. 234 since it is completely admitted that no question of patent infringement, copyright infringement or trademark infringement is here involved.

It is difficult for respondent to define the "Question Involved" since there is really no question. Perhaps it can be phrased as follows:

> Does respondent represent its product as being that of the petitioner when it presents a product which in all of its particulars was not originated by petitioner, is fully open to the public, and which is expressly marked with the respondent's name and trademark?

ARGUMENT.

Respondent's selling of a product clearly marked with its name but charged to be a representation that the product was that of the petitioner, when it is in fact a product made and open to making by any other source and by others whomever may wish to do so, cannot be charged to be a representation that the product is that of the petitioner. This is especially true where, as here, petitioner has stipulated that there is no charge of infringement of any patent right or any trademark involved herein. It is especially true where, as here, both parties make their product in shape and conformation like that of their licensor, The Syntron Company, not a party hereto but from which each party asserts the right to make its product.

On December 6, 1963, it was stipulated and agreed between the parties and, on December 13, 1963 included in a Statement of Issues of Law and Fact involved in the case and presented by petitioner, and in a pre-trial Order of December 13, 1963 approved by both parties and the Court that there were no issues of patent infringement, trademark infringement or the like involved in this case and that the only issue really involved was whether the appearance of respondent's product was such as to make it appear to be the product of petitioner.

Bearing in mind that the respondent's product was clearly marked at all times with its name and its trademark and bearing in mind that the shape and conformation of its product was not that originated by petitioner but long prior thereto by a third party and clearly open to use by the public, there can be no possible question but that the shape and conformation of the product did not represent

the product as being made by petitioner but instead as being a product open to making and selling by the public generally. *Sears* v. *Stiffel,* 376 U. S. 225 did seem to settle this conclusively.

Petitioner does not contend, nor is there any possible basis in this case for it to contend, that whether or not respondent's product was copied from that of the petitioner or from the prior art, it would result therefrom that respondent represents its product as having been originated by petitioner. Respondent's product, as shown in the Petition herein at page 5a, was clearly marked with respondent's name and clearly distinguished thereby from any possible conception that it was the product of petitioner. With such marking and with the indisputable proof that the shape of the product was not originated by or the property of petitioner, there is no possible question that the shape of the product and its marking as sold by respondent was not representing it to be a product of the petitioner.

The simple fact is that respondent's product has been made by it strictly in accordance with the prior art as originated long prior to any activity by the petitioner, that respondent's product has been clearly marked at all times with respondent's trademark, and that no one can possibly understand respondent's product to have been made by the petitioner with any reasonable consideration of the facts.

The respondent was never at any time an employee of petitioner. Respondent never at any time had access to or obtained any blueprints, drawings or other "secret" material of the petitioner, and there is no possible basis for a contention that respondent in making its product used any material solely owned by petitioner or as to which material petitioner had any proprietary rights.

THE CASES CITED BY PETITIONER ARE WHOLLY INAPPOSITE.

In an attempt apparently to misrepresent the issues in this case, petitioner says that there is a property right in blueprints, etc. and that the misuse thereof by an employee is actionable. Yet the fact is that the respondent in this case was never an employee of petitioner, never had access to and never used any blueprints, drawings or the like owned by petitioner, if there ever were any, and there is not even an allegation in the pleadings, the stipulation of facts or the pre-trial order that any such issue was here involved.

Petitioner cites *duPont* v. *Masland,* 244 U. S. 100, in support of its contention. Yet even in that case, it appears that this Court there said that the secrets involved were submitted "through a special confidence" that the defendant had accepted. There is no such contention in this case let alone any factual basis for such a contention.

The petitioner says that the Supreme Court of Illinois in a recent decision, *Schulenburg, et al.* v. *Signatrol, Inc., et al.,* arrived at a similar decision. That case is as yet unreported, but the fact is that the Supreme Court in that case held that the trial court was wrong and should be reversed in its holding that copying of an article, where copying was clear, was actionable, although the Court held that there the stealing of blueprints from his employer by an employee was actionable from the question of damages. No such a question is here involved.

Strangely enough, the petitioner cites *Restatement of Torts,* Sec. 757, defining trade secrets and matters of secrecy in which it is expressly stated that "matters which are completely disclosed by the goods which one markets cannot be his secret." There is no other contention by

petitioner as to trade secrecy in this case than the alleged copying of the goods freely sold by petitioner to anyone on the market. There could be no secrecy involved.

Petitioner cites a number of cases which it says follow the Restatement proposition and we have no dispute that such decisions do follow the Restatement proposition. In every one, however, where any relief was afforded, there was either a special confidential relationship between the defendant and the plaintiff or an actual stealing of blueprints and drawings constituting trade secrets of the plaintiff. No such a question is here involved.

The Supreme Court of Pennsylvania, in *Van Products Company* v. *General Welding and Fabricating Company,* in its decision filed October 13, 1965, made a very careful and thorough analysis of this very question, citing many, many decisions and considering in its opinion the decision of ths Court in *Sears* v. *Stiffel,* 376 U. S. 225. It was that Court's very carefully considered decision that there is no possible trade secret involved with respect to a product freely sold to the public and from which the public generally can learn and has the right to learn all of the elements entering into the manufacture of the product. A copy of that opinion, as yet unreported, is included as an addendum to this response. This decision reviews many decisions and represents the law of Pennsylvania, the State of which petitioner is a resident and where it does business.

CONCLUSION.

The petitioner's contentions in its Petition for Certiorari were not raised in the courts below, have no basis in the evidence or stipulated facts, and are completely contrary to the stipulated issues of fact which were considered by the District Court and by the Court of Appeals.

There is no pleading, there is no contention, there is no basis for asserting that respondent ever borrowed or used any trade secrets of petitioner, and the Petition for Certiorari should be denied.

Respectfully submitted,

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ADDENDUM.

IN THE SUPREME COURT OF PENNSYLVANIA,
Western District.
No. 78 March Term, 1965.

VAN PRODUCTS COMPANY, a Pennsylvania Corporation,
vs.
GENERAL WELDING AND FABRICATING COMPANY, a Pennsylvania Corporation and VINCENT Q. RAPP, an Individual,
Appellants.

Appeal from the Final Decree of the Court of Common Pleas of Erie County to No. 22 September Term, 1958. Entered: December 3, 1964.

OPINION.

Filed: October 13, 1965.

EAGEN, *J.*

This is an appeal by General Welding and Fabricating Company (General) and Vincent Q. Rapp (Rapp) (jointly referred to as appellants) from a final decree of the Court of Common Pleas of Erie County granting a permanent injunction against appellants, restraining them from making, advertising and selling deliquescent desiccant air driers, and directing that appellants account to Van Products Company (Van) for all profits realized from the previous sale of such air driers.

The historical background may be summarized as follows:

Van was organized in 1944, and engaged in the making of air vises. In 1951, it was contacted by O. Clair Norton,

who claimed to have invented a unique air drier that could be used profitably in many areas of industry and manufacturing to prevent and eliminate fouling, rusting and shortened life in tools and machinery operated by compressed air. Norton's brain child, following years of experimentation, was a deliquescent desiccant air drier. A desiccant is a substance which attracts and holds moisture; to deliquesce means to become liquid-like. Norton's idea was to channel the compressed air through a chemical mixture which would absorb the moisture in the compressed air lines and deliquesce in an orderly fashion. Only the chemical had to be replaced. This type of device was a substantial improvement over the expensive and cumbersome driers then in general use, which required regeneration and the use of alternate driers. The chemical compound used, to be known as "Dryolite", was in the form of a pellet consisting of 93 per cent sodium chloride impregnated with a small quantity of calcium chloride and sodium dichromate.

On June 23, 1953, the United States Patent Office issued a patent to Norton for the drier. These rights were then assigned to Van for the purpose of further development and for the sale of deliquescent desiccant air driers. In August 1957, Norton applied for a patent on the desiccant used in the drier. This was never issued.[1]

On September 1, 1953, Rapp was employed by Van. He had no previous experience in this field, and, at first, his duties involved handling Van's mail operation. As the development and sale of the air driers grew in volume and importance in the Van system, Rapp's position of importance and value increased, so that eventually he ran the gamut of tasks involved in this segment of Van's business to become the general manager of the entire operation. During the course of this employment, he was intimately

1. It appears that the patent would have issued for the desiccant as constituted, but Norton kept insisting on broader rights.

involved with purchasing, selling, advertising, plan and blue prints drafting, training and conducting field experiments to overcome customer difficulties. In short, Rapp was thoroughly imbued, through his industrious application, with all the problems, processes and advantages involved in the production, sale, and maintenance of this type of drier. He learned everything there was to know about Van's drier, except the composition of the desiccant itself.

Beginning in 1952, General began to make, engineer and design parts for Van's drier; then from September, 1953, to February 1, 1958, General manufactured the entire drier on behalf of Van according to Norton's patent. It was in this connection that General and Rapp were introduced. Because of the complicated nature of the construction of these devices and the intimate knowledge of these matters possessed by Rapp, he began frequent visits to General to supervise construction. Then on February 1, 1958, suspecting that Rapp's loyalty lay more with General than with it, Van terminated Rapp's employment. One week later, Rapp was employed by General, and within days was actively planning the manufacture and sale of a deliquescent desiccant air drier on General's behalf. He broke down the secret of the composition of the chemical formula used in the Van drier. He substituted urea for sodium chloride which performed the same function. On April 1, 1958, General sold its first deliquescent desiccant air drier, which, while not an exact duplicate or physically similar to Van's, was practically identical in function and concept.

On September 6, 1960, the United States Patent Office granted Rapp a patent for his desiccant. On March 16, 1965, Letters Patent were granted to Rapp and General for their drier.

On September 5, 1958, Van instituted this action for injunctive relief and an accounting. After prolonged hear-

ings, the chancellor entered a decree in favor of Van. The court en banc subsequently made the decree final. This appeal followed.

The initial question for determination is whether or not the lower court had jurisdiction of the cause of action. Appellants strongly maintain that the issue basically involves patent rights, and that the decree of the lower court in effect deprives them of utilization of such rights and invalidates patents which they received. In short, they maintain that this is strictly "a patent case," and, therefore, exclusive jurisdiction is in the federal courts.

It is established beyond question that the district courts of the United States have exclusive, original jurisdiction of all civil actions arising under the patent laws: 28 U.S.C. §1338(a). See also, *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U. S. 225 (1964), and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964). As recognized by this Court in *Slemmer's Appeal*, 58 Pa. 155 (1868), if the validity of a patent or patentability is the principal issue involved, then the jurisdiction of the federal courts is exclusive.

However, it is our considered conclusion that patent rights are only indirectly involved and that, under the circumstances, jurisdiction is properly in the courts of this Commonwealth.

The gravamen of the action is the abuse of confidence by Rapp who, as a trusted employee, allegedly misappropriated secret information of Van and used it to produce and market a competing product manufactured by General. That the state courts have the power to enjoin the use of a trade secret in a proper case, there can be no doubt. See, *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, 415 Pa. 276, 203 A. 2d 469 (1964), and *Macbeth-Evans Glass Co.* v. *Schnelback*, 239 Pa. 76, 86 A. 688 (1913). And

while patent laws may be involved, if they are purely incidental and collateral to the main issue of the case, and if jurisdiction exists over the parties and the subject matter in all other respects, our courts are not precluded from acting under their general equity powers: *Quaker State Oil Refining Co.* v. *Talbot*, 322 Pa. 155, 185 A. 586 (1936). See also, *Becher* v. *Contoure Laboratories, Inc.* 279 U. S. 388 (1929); *Pratt* v. *Paris Gas Light & Coke Company*, 168 U. S. 255 (1897); *Hyde Corp.* v. *Huffines*, 158 Tex. 566, 314 S. W. 2d 763 (1958); *Bert Lanes Co., Inc.* v. *International Industries, Inc.*, 84 S. 2d 5 (Fla. 1955); *H. J. Heinz* v. *Superior Court in and for Alameda County*, 42 Cal. 2d 164, 266 P. 2d 5 (1954); *L. A. Young Spring & Wire Corp.* v. *Falls*, 293 Mich. 602, 292 N. W. 498 (1940); Annot., 170 A. L. R. 449, 495 (1947); and, 3 Robinson, Patents §858 (1890).

This, in our opinion, is such a case. The pivotal and main issue here presented is whether or not the appellants caused damage to Van's business through the use of confidential material misappropriated by Rapp while he was in its employ.

Moreover, appellants' jurisdictional contention seems to be based upon a misconception of the nature of a patent monopoly, i. e., that, in being issued Letters Patent, a patentee is thus granted an exclusive right to use and exploit his invention. In fact, the patent monopoly is a negative right. 35 U. S. C. §154 provides that a patentee has "the right to exclude others from making, using, or selling the invention throughout the United States. . . ."[2]

2. See, *Patterson* v. *Kentucky*, 97 U. S. 501 (1878); *Little Mule Corp.* v. *Lug All Co.*, 254 F. 2d 268 (5th Cir. 1958); *Talbot* v. *Quaker-State Oil Refining Co.*, 104 F. 2d 967 (3rd Cir. 1939); Annot., 170 A. L. R. 449, 454 (1947); Ellis Trade Secrets § 140 (1953); 3 Robinson, Patents § 848 (1890). Cf. *Woodbridge* v. *United States*, 263 U. S. 50 (1923) (dictum to the effect that the grant is the right to make, use or sell, rather than the right to exclude others from so doing).

The right to make, use or sell, though a logical corrollary, is dependent upon natural or common law. See, *Bendix Aviation Corp.* v. *Kury,* 88 F. Supp. 243, 247 (E. D. N. Y. 1950), and authorities cited supra, note 2. The issuance of Letters Patent gives the patentee no more right to use his invention that he enjoyed before. See, Amdur, Patent Fundamentals, at 53 (1948). Therefore, viewed in this light, the existence of patent rights is not controlling. Infringement actions may be prosecuted in the federal courts, and existing patent rights may be unchallengeable in a state court; however, appellants' right to manufacture and sell the drier involved depends upon how the knowledge in connection therewith was obtained. This is the issue here. It is not a "patent case".

We now come to the merits of the case.

In its adjudication, the trial court made certain findings of fact, including the following:

"13. General got direct from Van through Rapp the 'know-how' of the manufacture, operation and functioning of Van's deliquescent desiccant air drier and from no other source.

"14. Defendant Rapp wrongfully appropriated to his own use and that of Defendant, General Welding, the following trade secrets and confidential information and ideas:

"A. The idea and the original concept of the deliquescent type of air drier.

"B. The intimate knowledge of the need, use and demand for deliquescent desiccant air driers; namely, that this was a 'hot product'.

"C. Information derived from building up and maintaining intimate card files on customers and their peculiar problems and needs, and in servicing such customers.

"D. Van Products' know-how in manufacturing of

these driers which it only achieved after years of success and failure, mistakes and corrections, testing and retesting, field testing, experimentation, study and analysis of problems in actual operation.

"E. Van Products' know-how in selling, which was an evolutionary process of direct-mail and finally to distributors and direct company contacts.

"F. Van Products' material sources and costs.

"G. Results of and intimate knowledge concerning Van Products' research and development and experimentation in the field, dew point testing, analysis of ratios of the parts involved and the solved mechanical problems contained in their blueprints.

"H. Van Products' labor costs.

"I. The secret of the desiccant, namely, the impregnation of a soluble pellet holding material with other hydroscopic materials.

"J. Van Products' suppliers and accounts payable.

"K. Van Products' customers and accounts receivable.

"L. Mechanical secrets of the Van Drier involving peculiar knowledge of design, material, dimensions and positioning of baffles, orifices, screens and supports other than those disclosed in sales literature or patents or otherwise in the public domain.

"M. Van Products' advertising methods and material.

"15. The misappropriation and use of said trade secrets, confidential information and ideas thus enumerated gave the Defendants an opportunity to achieve a competitive position in a field otherwise devoid of competition and thus to gain an unconscionable advantage and thereby become unjustly enriched at the expense of Plaintiffs."

These findings are further amplified (or condensed, as the case may be) in the court's "Discussion": "The trade

secret here involved . . . is all embracing rather than confined to any particular item . . . or to any particular phase of its functioning. . . . It is not any one of these features or any others which constitute the trade secret contended for by Van but rather the whole picture combining the original idea or theory as worked up mechanically by Van into a tangible and marketable product and the know-how all along the line. . . ."

It is fundamental that the findings of fact of a chancellor which are approved by the court en banc have the weight of a jury's verdict, and will not be disturbed on appeal if there is adequate evidence in the record to sustain the findings: *St. Andrew's Evangelical Lutheran Church* v. *Lower Providence Township,* 414 Pa. 40, 198 A. 2d 860 (1964). On the other hand, it is equally well established that the chancellor's conclusions, whether of law or fact, being no more than his reasoning from the underlying facts, are reviewable: *Hoffman* v. *Rittenhouse,* 413 Pa. 587, 198 A. 2d 543 (1964).

It is our considered judgment that the lower court erred in concluding that the facts established a misappropriation of a legally protectible trade secret. The decree, therefore, must be reversed.

As noted before, Van prosecuted this action upon the theory that Rapp, as a trusted employee, learned of these secrets while in a confidential relationship, to wit, employee-employer, and misappropriated and used them after the termination of his employment with Van for the benefit and with the consent and knowledge of General.[3]

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3. Restatement, Torts § 757, provides, *i.e.,* that "one who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovers the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him. . . ." This Court has long recognized such a right in the employer: See, *e.g., Robinson Electronic Supervisory Co., Inc.* v. *Johnson,* 397 Pa. 268,

The concept of trade secret is at best a nebulous one and has been variously defined by case and text authority. Restatement, Torts § 757, comment b, states that "a trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."[4] The prerequisites to recovery upon a cause of action alleging misappropriation of trade secrets was long ago set forth for Pennsylvania in *Macbeth-Evans Glass Co.* v. *Schnelbach*, supra, 239 Pa. at 87, 86 A. at 691: "To be entitled to equitable relief the burden was on [the employer] to show;

154 A. 2d 494 (1959); *Morgan's Home Equipment Corp.* v. *Martucci*, 390 Pa. 618, 136 A. 2d 838 (1957); *Belmont Laboratories, Inc.* v. *Heist*, 300 Pa. 542, 151 A. 15 (1930); and *Macbeth-Evans Glass Co.* v. *Schnelbach*, 239 Pa. 76, 86 A. 688 (1913). The right is also recognized generally in other jurisdictions: See, *e.g.*, *E. I. DuPont de Nemours Powder Co.* v. *Masland*, 244 U. S. 100 (1917); *Aktiebolaget Bofors* v. *United States*, 194 F. 2d 145 (D. C. Cir. 1951); *Furr's, Inc.* v. *United Specialty Advertising Co.*, 385 S. W. 2d 456 (Tex. 1964); *Julius Hyman & Co.* v. *Velsicol Corp.*, 123 Colo. 563, 233 P. 2d 977 (1951); *Junker* v. *Plummer*, 320 Mass. 76, 67 N. E. 2d 667 (1946); and, *Extrin Foods, Inc.* v. *Leighton*, 115 N. Y. S. 2d 429 (S. Ct. 1952). See also, Restatement (Second), Agency § 395; Annot., 165 A. L. R. 1453 (1946); Note, "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951); 1 Callman, Unfair Competition and Trade Marks ["Trade Secrets" at 644, § 51 *et seq.*] § 55.1 (1945); McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935); Note, "Protection of Information in the Nature of Trade Secrets," 14 Minn. L. Rev. 546 (1930); and, Hannigan, "The Implied Obligation of an Employee," 77 U. Pa. L. Rev. 970 (1929).

4. This definition, according to the particular authority involved, is either too broad or too restrictive, but in general it seems to represent the consensus. Compare the definition in Note, 14 Minn. L. Rev. 543, 548, *supra* note 3 ("*any* information of *peculiar* value to its owner, not protected by patent, and not generally known or accessible to everyone." [Footnotes omitted. Emphasis in original.]), with that approved in *Progress Laundry Co.* v. *Hamilton*, 208 Ky. 348, 270 S. W. 834, 835 (1925) ("a trade secret is a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it is necessary to confide it.").

(1) that there was a trade secret, or, as in the case at bar, a secret process of manufacture; (2) that it was of value to the employer and important in the conduct of his business; (3) that by reason of discovery or ownership the employer had the right to the use and enjoyment of the secret; and, (4) that the secret was communicated to [the employee] while he was employed in a position of trust and confidence under such circumstances as to make it inequitable and unjust for him to disclose it to others, or to make use of it himself, to the prejudice of his employer."[5]

The opinion of the court below renders the decision of this case quite difficult by stating that the "trade secret" here involved is "all embracing" and "the whole picture". One rather salient point runs steadfastly throughout decisions in this area in most jurisdictions, and that is that the employee, upon terminating his employment relationship with his employer, is entitled to take with him "the experience, knowledge, memory, and skill, which he had gained while there employed . . . A man's aptitude, his skill, his dexterity, his manual and mental ability, and such other subjective knowledge as he obtains while in the course of his employment, are not the property of his employer and the right to use and expand these powers remains his property unless curtailed through some restrictive covenant entered into with the employer: Wil-

5. See also, *Wexler* v. *Greenberg*, 399 Pa. 569, 160 A. 2d 430 (1960); *Pittsburgh Cut Wire Co.* v. *Sufrin*, 350 Pa. 31, 38 A. 2d 33 (1944); and, Ellis, Trade Secrets § 236. Cf. *Great Lakes Carbon Corp.* v. *Continental Oil Co.*, 219 F. Supp. 468, 498 (W. D. La. 1963), quoting from *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co.*, 150 F. Supp. 143, 159 (E. D. Tex. 1956), aff'd 259 F. 2d 398 (5th Cir. 1958): "The essential elements of a cause of action for breach of confidence are (i) possession by the plaintiff of knowledge or information which is not generally known, (ii) communication . . . by the plaintiff to the defendant under an express or implied agreement limiting its use or disclosure by the defendant, and (iii) use or disclosure by the defendant . . . , to the injury of plaintiff."

liston on Contracts, § 1646, p. 4627." *Pittsburgh Cut Wire Co.* v. *Sufrin*, supra note 5, 350 Pa. at 34-35, 38 A. 2d at 34-35.[6] There is no restrictive covenant involved in the present case.

Levine v. *E. A. Johnson & Co.*, 107 Cal. App. 2d 322, 237 P. 2d 309 (1951), is interestingly parallel to the instant case. There the employee left his high position with plaintiff after 35 years of service in the field of constructing wooden tanks and cooling towers. Immediately thereafter, in partnership with his son, he went into competition with his former employer, who sought an injunction to restrain the use of trade secrets. Failing to find any real trade secrets, the court refused an injunction, saying that the former employee had built up a wealth of experience and skill during his employment and that to deny him the right to exploit it would wipe out his means of livelihood. No doubt the employee there was just as thoroughly imbued with the intricacies and "secrets" of his employer's business as was Rapp here. The question still remains to be answered whether the information is such here that we must act as a judicial eraser to blot out Rapp's knowledge and skill.

Certain of the elements of the "trade secret" enunciated by the trial judge in Paragraph 14 of his opinion certainly fall within this category of "general knowledge, skill and experience" and are not thus proper subjects for a mental

6. See also, *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, 415 Pa. 276, 203 A. 2d 469 (1964); *Spring Steels, Inc.* v. *Molloy*, 400 Pa. 354, 162 A. 2d 370 (1960); *Wexler* v. *Greenberg*, *supra* note 5; *Bickley* v. *Frutchey Bean Co.*, 173 F. Supp. 516 (E. D. Mich. 1959), aff'd on opinion below, 279 F. 2d 685 (6th Cir. 1960); *Tempo Instrument, Inc.* v. *Logitek, Inc.*, 229 F. Supp. 1 (E. D. N. Y. 1964); *L. M. Rabinowitz & Co., Inc.* v. *Dasher*, 82 N. Y. S. 2d 431 (S. Ct. 1948); *Fairchild Engine & Airplane Corp.* v. *Cox*, 50 N. Y. S. 2d 643 (S. Ct. 1944); 1 Callman, Unfair Competition and Trade Marks, *supra* note 3, § 55.2(a); Hannigan, "The Implied Obligation of an Employee," 77 U. Pa. L. Rev. 970, 972 (1929); and, Restatement (Second), Agency § 396(b).

purge. For instance, 14B: "the intimate knowledge of the need, use and demand" for this product could not be a trade secret. It is something that would be learned in any productive industry, as are the "material sources and costs" (14F), "labor costs" (14H), the "suppliers and accounts payable" (14J), "customers and accounts receivable" (14K), and "advertising methods and material" (14M).

A further extension of this concept of "general knowledge" includes the little nuances and refinements developed by Rapp himself while not engaged in specific product research. For instance, 14E: "the know-how in selling, . . . an evolutionary process of direct-mail" was a process that Rapp was hired to conduct and of which he made a viable selling process. 14G: "results of . . . research and development in the field . . . [etc.]" would not seem, upon considered analysis, to be trade secrets in this case, and even if they were Van could not prove exclusive ownership since Rapp was the experimenter and tester. At most, Van can claim co-authorship on the basis that Rapp was paid to do this work; but much of the initiative and creative questioning was the product of Rapp's own ambition.[7] It would seem, then, that this generalized knowledge in the field of deliquescent dessicant air driers was a labor asset which Rapp was privileged to carry with him to his new employer. Perhaps the fact that this was a new and unique field might tend to persuade that these were secrets, but they are matters which any industrious person would learn in a developing field in Rapp's position. They are not of such character as to be classified as trade secrets.

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7. See, Bishop, Jr., "Employers, Employees and Inventions," 31 S. Cal. L. Rev. 38 (1957), and Note "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951). Cf. *Wellington Print Works, Inc.* v. *Magid*, 242 F. Supp. 614 (E. D. Pa. 1965). But cf. *B. F. Gladding & Co., Inc.* v. *Scientific Anglers, Inc.*, 245 F. 2d 722 (6th Cir. 1957).

Customer information such as that embraced in item 14C has been the subject of varied litigation. It is clear that this jurisdiction affords protection to an employer's confidential customer information: *Morgan's Home Equipment Corp.* v. *Martucci*, 390 Pa. 618, 136 A. 2d 838 (1957). Cf. *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, supra. And, as pointed out in *Morgan's Home Equipment Corp.*, a distinction often drawn in the cases to the effect that an injunction will not issue unless an actual physical list has been taken (as opposed to a list carried away in the employee's memory)[8] is not really meaningful, being based upon the manner of taking, rather than the character of the information taken.[9] Nor is the fact that it was the employee himself who compiled the list.[10] As with any other trade secret, for customer information to be protectible it must be a particular secret of the business, of value to the employer and wrongfully appropriated by the employee. In the present case, the actual lists were merely distillations of commercial lists created from the very general knowledge that users of compressed air are potential customers for air driers. In this respect, these customer lists are in no way secret: *Denawetz* v. *Milch*, 407 Pa. 115, 178 A. 2d 701 (1962). The further assertion is that extensive data was also stored in an elaborate card-file system (a system devised and set up by Rapp). This data was accumulated by Rapp during his field trips and from experimentation designed to meet customer requests and problems. We are convinced that Van has failed to show

8. *Progress Laundry Co.* v. *Hamilton*, *supra* note 4; *Sarkes Tarzian, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250 (S. D. Cal. 1958); *Richard M. Krause, Inc.* v. *Gardner*, 99 N. Y. S. 2d 592 (S. Ct. 1950): and, Nims, Unfair Competition and Trade Marks ["Trade Secrets," Ch. XI at 401, § 141 *et seq.*] § 157 (3rd ed. 1929).

9. McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935), and Ellis, Trade Secrets §§ 71, 72, 74 & 79 (1953).

10. Ellis, Trade Secrets § 75.

that this information was any more than the recorded results of Rapp's acquisition of general knowledge and skill in this field.

The key to the lower court's thinking seems to be contained in Paragraph 14D: "know-how in manufacturing ... which [Van] achieved after years of success and failure, mistakes and corrections ... [etc.]."[11] Along with "trade secret," the concept of "know-how" is also a very fuzzily defined area, used primarily as a short-hand device for stating the conclusion that a process is protectible. It covers a multitude of matters, however, which in the broad sense are not protectible, *e.g.*, an employee's general knowledge and skill. A manufacturing company is merely the sum of its producing units, including the skills of its employees. Granted that Van had a very precise knowledge of the field of air driers, but it was mainly derived from Norton's inventiveness and Rapp's industrious experimentation. We think that, in the present case, Van's "know-how" was not protectible from exploitation by Rapp.

Paragraphs 14A and L: "The idea and the original concept" and "the mechanical secrets of the Van drier" present a question which has produced a conflict of authority among the jurisdictions: to wit, whether prior public disclosure is permitted to be raised as a defense by a defendant charged with violating a confidence in business.[12]

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11. With this, compare the statement in Ellis, Trade Secrets § 211, to the effect that there are no property rights in the knowledge of mistakes to be avoided, citing *Detachable Bit Co.* v. *Timken Roller Bearing Co.*, 133 F. 2d 632 (6th Cir. 1943).

12. Compare the implication of the statement in *Carver* v. *Harr*, 132 N. J. Eq. 207, 27 A. 2d 895, 897 (Ch. 1942): "If defendants were originally under an implied obligation not to use complainants' invention for their own purposes, it was an obligation which ended when complainants, in seeking contracts, or by making deliveries, disclosed the design of their screens to a considerable number of persons," with that in *Hyde Corp.* v. *Huffines*, 158 Tex. 566, 314 S. W. 2d 763, 772 (1958): "Injunctive relief is not based upon the patent but the circumstance that the petitioner gained knowledge of such device at a time prior to its being patented through an abuse of a confidential relationship."

In the first place, the "idea and original concept" of a deliquescent dessicant air drier was conceived by Norton many years ago, and was finally patented by him in 1953, prior to the time Rapp began to work for Van. 35 U. S. C. § 112 provides that "the specifications [required to be appended to a patent application] shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains . . . to make and use the same . . ." The result of this section and the very nature of the patent publication have been consistently interpreted to work a destruction of any trade secret disclosed therein.[13] The inventor is put to his election; he can keep his secret hidden and run the risk of independent discovery by others, or he can disclose his secret to the world by Letters Patent and receive in return from the government a monopoly for 17 years.[14]

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13. *Bickley* v. *Frutchey Bean Co.*, *supra* note 6; *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co.*, 150 F. Supp. 143 (E. D. Tex. 1956), aff'd 259 F. 2d 398 (5th Cir. 1958); *Darsyn Laboratories, Inc.* v. *Lenox Laboratories, Inc.*, 120 F. Supp. 42 (D. N. J. 1954), aff'd on opinion below, 217 F. 2d 648 (3d Cir. 1954); *Ferroline Corp.* v. *General Aniline & Film Corp.*, 207 F. 2d 912 (7th Cir. 1953); *Schreyer* v. *Casco Products Corp.*, 190 F. 2d 921 (2d Cir. 1951), cert. denied 342 U. S. 913 (1952); *Conmar Products Corp.* v. *Universal Slide Fastener Co., Inc.*, 172 F. 2d 150 (2d Cir. 1949); *Mycalex Corp. of America* v. *Pemco Corp.*, 159 F. 2d 907 (4th Cir. 1947); *Picard* v. *United Aircraft Corp.*, 128 F. 2d 632 (2d Cir. 1942); *Speaker* v. *Shaler Co.*, 87 F. 2d 985 (7th Cir. 1937); *Robine* v. *Apco, Inc.*, 227 F. Supp. 512 (S. D. N. Y. 1964); *Tempo Instrument, Inc.* v. *Logitek, Inc.*, *supra* note 6; *Great Lakes Carbon Corp.* v. *Continental Oil Co.*, 219 F. Supp. 468 (W. D. La. 1963); *Lyons* v. *General Motors Corp.*, 200 F. Supp. 89 (N. D. Ill. 1961); and, *Carter Products, Inc.* v. *Colgate-Palmolive Co.*, 130 F. Supp. 557 (D. Md. 1955).

14. *Jessar Manufacturing Corp.* v. *Berlin*, 380 Pa. 453, 110 A. 2d 396 (1955); *Atlas Bradford Co.* v. *Tuboscope Co.*, 378 S. W. 2d 147 (Tex. Civ. App. 1964); Dunlavey, "Protection of the Inventor Outside the Patent System," 43 Cal. L. Rev. 457 (1955); Annot., 170 A. L. R. 449 (1947); 1 Callman, *supra* note 3, § 53.3(b); and cases cited *supra* note 13.

Further, these air driers were sold on the open market and described and covered extensively in the trade literature and Van's own advertising media. And there is considerable authority[15] to the effect that public sale of the article in question or the description thereof in literature available to the public will destroy any trade secret which the inventor might have had.[16]

As above noted, there is a split of authority upon the question of the effect of public disclosure (either prior or

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15. *Pittsburgh Cut Wire Co.* v. *Sufrin, supra* note 5; *Bickley* v. *Frutchey Bean Co., supra* note 6; *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co., supra* note 13; *American Gage & Manufacturing Co.* v. *Maasdam,* 245 F. 2d 62 (6th Cir. 1957); *Baum* v. *Jones & Laughlin Supply Co.,* 233 F. 2d 865 (10th Cir. 1956); *Northup* v. *Reish,* 200 F. 2d 924 (7th Cir. 1953); *Mycalex Corp. of America* v. *Pemco Corp., supra* note 13; *Sandlin* v. *Johnson,* 152 F. 2d 8 (8th Cir. 1945); *Great Lakes Carbon Corp.* v. *Continental Oil Co., supra* note 13; *Houser* v. *Snap-On Tools Corp.,* 202 F. Supp. 181 (D. Md. 1962); *Titcomb* v. *Norton Co.,* 208 F. Supp. 9 (D. Conn. 1959); *Wissman* v. *Boucher,* 105 Tex. 326, 240 S. W. 2d 278 (1951); *Carver* v. *Harr,* 132 N. J. Eq. 207, 27 A. 2d 895 (Ch. 1942); Note, "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951); and, 3 Robinson, Patents § 874 (1890). Cf. Sceales, "Company Liability for Use of an Idea," 69 Dick. L. Rev. 245 (Spring 1965). Note, too, the implication of *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U. S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.,* 376 U. S. 234 (1964); and, *Angell Elevator Lock Co., Inc.* v. *Manning,* 205 N. E. 2d 245 (Mass. 1965), which refuse to sanction the exact copying of an unpatented article (absent a confusion of source of manufacture). The obvious implication is that a public sale obliterates any trade secret embodied in the particular article sold.

16. It is true, however, that, regardless of the fact that an article's individual components are part of the prior art or are ascertainable by inspection of sold articles, a secret may obtain in the composite or in the process of manufacture (providing, of course, that the process itself is a secret one). See, *Sun Dial Corp.* v. *Rideout,* 16 N. J. 252, 108 A. 2d 442 (1954), and *Tabor* v. *Hoffman,* 118 N. Y. 30, 23 N. E. 12 (1889). But, in the present case there was no claim, nor does it seem possible to make out one, that there was a secret in the process of manufacture of the air drier, nor could there be any part of the composition not "in the public domain," since the entire composition was discernible by inspection of the articles sold to the public.

subsequent) of the matters alleged to be trade secrets through patent application and grant, descriptive literature, intentional disclosure, advertising and/or sale of the product embodying the secret.[17]

Smith v. *Dravo Corp.*, 203 F. 2d 369, 374 (7th Cir. 1953),[18] concluded that "Pennsylvania will not deny recovery merely because the design *could have* been obtained through inspection. Rather, the inquiry in that jurisdiction appears to be: How *did* defendant learn of plaintiffs' design?" (Emphasis in original.) In *Dravo*, the defendant was attempting to purchase plaintiffs' company, and in the course of negotiations received detailed plans, models and patent applications. Thereafter, defendant refused to buy and began competitive manufacture, which put plaintiffs out of business. The Seventh Circuit concluded, reversing the District Court's judgment for the defendant, that defendant did not obtain any of its information from the "publicity material" (which was general in nature) or from the some 100 articles (metal shipping containers) which had been publicly sold, but rather from the communications and negotiations consummated during the abortive attempt to

17. Compare authorities cited *supra*, notes 13 and 15 (public disclosure destroys secret), with *Franke* v. *Wiltschek*, 209 F. 2d 493 (2d Cir. 1953) (gross example of industrial espionage); *A. O. Smith Corp.* v. *Petroleum Iron Works Co. of Ohio*, 73 F. 2d 531 (1934), opinion modified and rehearing denied, 74 F. 2d 934 (6th Cir. 1935); *Shellmar Products Co.* v. *Allen-Qualley Co.*, 36 F. 2d 623 (7th Cir. 1929); *Kamin* v. *Kuhnau*, 232 Ore. 139, 374 P. 2d 912 (1962); *Hyde Corp.* v. *Huffines*, *supra* note 12; *K & G Oil Tool & Service Co., Inc.* v. *G & G Fishing Tool Service*, 158 Tex. 594, 314 S. W. 2d 782 (1958); *Adolph Gottscho, Inc.* v. *American Marking Corp.*, 18 N. J. 467, 114 A. 2d 438, cert. denied, 350 U. S. 834 (1955); *Vulcan Detinning Co.* v. *Assmann*, 185 App. Div. 399, 173 N. Y. S. 334 (1918); *Fairchild Engine & Airplane Corp.* v. *Cox*, *supra* note 6; Ellis, Trade Secrets §§ 25 and 65 (1953); and, McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935).

18. Ostensibly, following diversity of citizenship and conflicts of law principles, the Court of Appeals in this case applied Pennsylvania law to the facts.

effect a sale of the company. *Pressed Steel Car Co.* v. *Standard Steel Car Co.*, 210 Pa. 464, 60 A. 4 (1904), cited as authority by the *Dravo* court, is inapplicable to the present case, as it was to *Dravo*, for there the sole question was whether blue prints given by plaintiff's customers (who had received them from plaintiff initially) to defendant, plaintiff's competitor, in violation of a duty of confidence were required to be returned. No competition was enjoined. We feel that the authorities holding that public disclosures destroy plaintiff's right to maintain a cause of action to preserve his trade "secret" as against a competing former-employee who has violated a duty of confidence are more sound in theory and practice than those continuing to look to the relationship of the parties as a basis for the action. While recognizing that limited publication and experimental usages are not incompatible with secrecy, we feel that the wide-spread publication and advertising in this case and the public sale of the air driers destroyed Van's right to maintain a cause of action upon a breach of duty not to disclose its "trade secrets." The starting point in every case of this sort is not whether there was a confidential relationship,[19] but whether, in fact, there was a trade secret to be misappropriated: *National Starch Products, Inc.* v. *Polymer Industries, Inc.*, 273 App. Div. 732, 79 N. Y. S. 2d 357 (1948).

One final item was listed by the court below as a trade secret (14I): "The secret of the desiccant, namely the impregnation of a soluble pellet holding material with other hydroscopic materials." However, this is in direct contradiction to the following discussion in the court's opinion: "... [A]t no time was the secret formula of Norton's desiccant ... ever revealed to [Rapp]. This was a secret of the highest order ... [Rapp] never did secure [the exact chem-

19. *E. I. DuPont de Nemours Powder Co.* v. *Masland*, 244 U. S. 100 (1917).

ical formula] . . .'' Printed record, pp. 1858a-1859a. Of course, the idea and the practical functioning of such a deliquescent desiccant could not be a secret, in itself, since the product was advertised, described, and sold on the open market. Its remarkable characteristics, vaunted in sales literature, were the exact factor which made the Van drier desirable (*i.e.*, it was a desiccant which did not require regeneration). Therefore, it was only the composition which was secret, and remained so after Rapp's departure. It was only Rapp's industriousness which enabled him to come up with an acceptable formula for a desiccant to use in the drier which he was privileged to construct. And the United States Patent Office recognized his inventiveness by issuing him Letters Patent on his desiccant. Furthermore, the trial court did not rule upon the prayer to require assignment of the Rapp patent to Van, from which failure Van did not appeal. We therefore decline comment on the question.

We do not consider the result herein reached as harsh or out of tune with accepted commercial morality as it may, at first blush, appear. Van has either sold its secret to the public or has traded it, through its agent, Norton, to the public for a 17 year monopoly. We are statutorily[20] declared to be unqualified to determine whether General's drier is infringing upon Norton's patent, and any relief thereupon must come from the federal court system which has exclusive jurisdiction of such questions.

Decree reversed. Each party to pay own costs.

Mr. Chief Justice Bell dissents.

Mr. Justice Roberts did not participate in this case.

Mr. Justice Cohen files a Concurring Opinion.

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20. 28 U. S. C. § 1338(a).

CONCURRING OPINION.

Filed: October 13, 1965.

COHEN, *J.*

While I need not reach the merits of this litigation, I concur in and join with the majority of this Court in its determination and result.

I have great difficulty in concluding from the evidence that there were trade secrets and that the plaintiff-appellee met the burden imposed upon it to maintain substantial secrecy in the protection of the alleged trade secrets.

But I need reach no conclusion on the merits because I find that the lower court lacked jurisdiction to enjoin the appellants from making, manufacturing and selling their patented desiccant and dryer. Relief may not be granted in this case because of the inextricable involvement of the alleged trade secrets with plaintiff's and defendant's patents thereby creating a possibility of conflict between state concepts of unfair competition and the uniform application of the patent law and patent policy. This field has been occupied exclusively by the Federal Patent Law. Two recent landmark cases—*Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U. S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964), clearly determine that the field has been pre-empted by the Federal Patent Law and that the state law of unfair competition is in conflict with the patent law and in the interest of uniformity and unburdened competition relief by way of damages or injunction based on the state law of unfair competition may not be allowed

Were we to allow relief in this case we would be encroaching upon the Federal Patent Law and giving protection of

a kind that clashes with the objectives of the law. Further, we would be doing these things under our state concept of unfair competition which the United States Supreme Court specifically said may not be done. We can neither extend the life of a patent nor have we the power to restrict its use even though the patent was obtained as a result of fraud and misrepresentation. Appellee recognized, as it did in its counter-statement of questions involved, that some aspects of the alleged secrets appropriated by appellants might be the subject of a suit against appellants in the United States courts for infringement. The fact that the possibility of this federal action exists is sufficient to divest our state courts of jurisdiction and require that we stand aside so an action to rectify the alleged abuses may be pursued in the federal courts. I would require the lower court to acknowledge its lack of jurisdiction and dismiss the complaint.